

COVID-19 Revenue Impact, Cost and Savings Report through May 31, 2020

PSCSC Docket No. 2020-106-A

Duke Energy Carolinas, LLC and Duke Energy Progress, LLC (individually “DEC” and “DEP”, collectively “the Companies”) provide this Report of COVID-19 Revenue Impact, Cost and Savings pursuant to the Commission’s Order No. 2020-372.¹

I. Revenue Impact

The Companies’ rates to recover their respective cost of service assume certain amounts of load. That load has been negatively impacted by the economic downturn and business shut-down resulting from COVID-19. Accordingly, the Companies are no longer recovering all of their costs to serve recently set by the Commission in Docket Nos. 2018-318-E and 2018-319-E. Through May 31, 2020, this has resulted in an estimated \$8 million loss of fixed costs not recovered for DEC SC and an estimated \$4 million loss of fixed costs not recovered for DEP SC.² The calculations are based on weather-adjusted consumption for 2020 compared to 2019. For DEC SC, weather-adjusted residential load increased by approximately 5%, while weather-adjusted load of remaining customers decreased by approximately 14%. For DEP SC residential weather-adjusted load increased by approximately 4%, while weather-adjusted load for remaining customers decreased by approximately 16%.

II. Incremental COVID-19 Costs and Savings

Through May 2020, the Companies have experienced significant incremental costs related to protecting employees and customers during the pandemic and ensuring continuity and quality of service to customers in a safe manner. Many of these costs are expected to continue to be borne by the Companies over the coming months as the impacts of the pandemic continue. These costs are described further below.

¹ On March 14, 2020, Governor McMaster issued a letter to the South Carolina Office of Regulatory Staff (“ORS”) requesting that “all regulated utilities and cooperatives serving the State of South Carolina . . . do not suspend or disconnect essential services for nonpayment” during the State of Emergency. Consistent with the Governor’s request, on March 18, 2020, the Commission issued Order No. 2020-228, which granted necessary waivers and authority to effectuate the Governor’s request. The Commission also directed in that order that “utilities track the financial impacts related to the waivers approved by this action and order as the Commission may seek reporting of financial impacts at a future time.” On May 14, 2020, the Commission issued Order No. 2020-372, which included a requirement that “utilities to track revenue impacts, incremental costs and savings related to COVID-19, and file the findings with the Commission on a quarterly basis, beginning as soon as possible, but no later than the end of the second quarter of 2020.” This Report is filed in compliance with that Order.

² “Fixed cost not recovered” reflects the impact of the change in kWh to revenues less associated fuel, O&M (uncollectible rate, reg fee, and variable O&M rate), and taxes. The Companies have been considering measures to attempt to mitigate and offset the load destruction caused by COVID-19. As of the date of the report, the results from those efforts have not yet resulted in a significant amount of realized savings.

- **Waived customer fees:** On March 21, 2020, the Companies began waiving all late-payment fees, return check charges, and reconnection fees. Walk-in payment fees in SC were waived beginning on April 2, 2020.
- **Bad debt/customer charge-offs:** In order to protect customers who are expected to be impacted by the economic downturn of the pandemic, beginning March 13, 2020, the Companies suspended disconnections for non-payment. The resulting increase in customer balances and challenging economic environment are expected to increase customers' inability to pay utility bills. For the Commission's information, below are the approximate arrearages to the Companies in SC as of May 31, 2020.

2020	DEC-SC	DEP-SC
30 Days	\$14,273,025	\$10,012,592
60 Days	\$8,002,342	\$5,406,696
90+ Days	\$6,308,616	\$3,698,915

- **Employee stipends:** Certain eligible employees of the Companies received a one-time cash payment of \$1,500 to help with unplanned expenses associated with COVID-19.
- **Employee safety-related costs:** The Companies have provided, and will continue to provide, employees with the appropriate personal protective equipment to facilitate the continuation of work for customers in a safe manner. Additionally, the Companies incurred incremental costs associated with cleaning supplies, health care, as well as testing and temperature checks.
- **Costs for remote work:** In order to facilitate employees working remotely to protect their health and safety during the pandemic, the Companies incurred incremental costs associated with expanded conference line capacity, increased network bandwidth, other required information technology improvements, expanded video conferencing licenses, and increased company cellular telephone and data usage.

The Companies have also reflected below certain estimated savings through May 2020 directly related to COVID-19, particularly from reduced employee expenses due to travel restrictions and postage/print savings due to not sending disconnect letters. These amounts reported below represent the estimated retail allocation of each item.

For this initial report, the Companies estimated savings based on assumptions for each individual organization. The Companies may determine further refinement of such estimates in future reports.

Summary of Incremental COVID-19 Costs and Savings
(through May 31, 2020)
(\$ in Thousands)

Incremental COVID-19 Costs	DEC SC	DEP SC
Customer Fees Waived	\$ 1,414	\$ 613
Bad Debt/Charge-offs (incremental to amount set in rates)	321	233
Employee Stipends	443	108
Safety Related - PPE, testing, signage, extra cleaning, etc.	985	252
Costs for remote work - IT, MS Teams, bandwidth, servers	138	42
Other (primarily incremental labor)	133	41
Total Incremental COVID-19 Costs	\$ 3,434	\$ 1,289
Less Estimated Incremental Covid-19 Savings	DEC SC	DEP SC
Employee expenses - Travel restrictions / employee meals / etc.	\$ (415)	\$ (145)
Reduced training for Transmission craft crew	(120)	-
Postage and Print savings due to no disconnect letters for non-pay	(55)	(9)
Total Estimated COVID-19 Savings	\$ (590)	\$ (154)
Net total	\$ 2,844	\$ 1,135